

NEWS FROM ED MARKEY

United States Congress Massachusetts Seventh District

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CONTACT:

**Mark Bayer
or Jeff Duncan
(202) 225-2836**

MARKEY CALLS FOR INVESTIGATION INTO PRICE GOUGING BY THE OIL INDUSTRY

*Markey, Pallone Coordinate Letter with 51 Democratic Colleagues To Demand
Investigation Into Record High Gas Prices*

Washington, D.C. --- Representative Edward Markey (D-MA) today sent a letter to Attorney General John Ashcroft and Federal Trade Commission (FTC) Chairman Timothy Muris to urge the Justice Department and the FTC to investigate current oil industry market structure, market concentration, and business practices to determine whether any unfair or anti-competitive activity is taking place. The letter was initiated by Rep. Markey and Rep. Frank Pallone, Jr. (D-NJ), both senior members of the House Energy and Commerce Committee and signed by 51 of their House colleagues.

"American consumers will continue to be gouged at the gas pump as big oil companies exploit their control over refinery capacity to drive out competitors and raise prices. Congress needs to immediately address this urgent issue, and our antitrust regulator have a duty to take action," Rep. Markey said.

"A May 2004 report by the General Accounting Office found that over 2,600 mergers have occurred in the U.S. petroleum industry since the mid-1990s, with most of these occurring later in the period. The GAO reported that these mergers have led to a substantial increase in market concentration in the oil industry, a reduction in the availability of lower priced "generic" gasoline compared to "branded gasoline, and in refiners preferring to deal with large distributors and retailers, leading to further market concentration in those businesses," Rep. Markey said.

In today's letter, the Democratic lawmakers stated: "We are greatly concerned that in the current oil market, where supplies have been tight and prices at the pump have risen dramatically, the current over-concentration of market power in the oil industry may provide oil companies with ample opportunities to exploit market power to gouge

consumers. We urge you to take action now to help bring relief to consumers who are paying the price at the gasoline pump."

"The sky-high profits reaped by the big oil companies are coming at the expense of consumers across the country, who face record high gas prices just as the summer driving season is kicking into high gear. That's unacceptable, and today we are urging the Bush Administration to launch an investigation into this oil industry practices," Rep. Markey said. In a statement delivered on the House Floor, Rep. Markey noted that the five oil companies that together control more than 50% of the refining market have reported record profit margins from their refining operations this year, including ExxonMobil, BP, ConocoPhillips, Royal Dutch Shell, and Valero Energy.

Text of the letter follows.

Dear Attorney General Ashcroft and Chairman Muris:

We are writing to express our deep concern over potential price gouging and anticompetitive activity in the oil industry.

A recent report by the General Accounting Office (“Energy Markets: Effects of Mergers and Market Concentration in the U.S. Petroleum Industry,” GAO-04-96) has found that over 2,600 mergers have occurred in the U.S. petroleum industry since the mid-1990s, with most of these occurring later in the period. The GAO reports that these mergers have led to a substantial increase in market concentration in the oil industry, a reduction in the availability of lower priced “generic” gasoline compared to “branded gasoline, and in refiners preferring to deal with large distributors and retailers, leading to further market concentration in those businesses.

The GAO has concluded that oil company “mergers and increased market concentration generally led to higher wholesale gasoline prices in the United States from the mid-1990s through 2000.” It found that “six of the eight mergers that GAO modeled led to price increases averaging between 1 and 2 cents per gallon.” GAO also found that increased market concentration in the oil industry following these mergers also lead to increased prices, which GAO found had increased the wholesale price of gas in some regions of the country by 5 cents per gallon, and increased the price of “boutique fuels” sold in the East Coast and Gulf Coast regions by 1 cent per gallon, while prices for boutique fuels sold in California increased by over 7 cents per gallon.

We are greatly concerned that in the current oil market, where supplies have been tight and prices at the pump have risen dramatically, that the current over-concentration of market power in the oil industry may provide oil companies with ample opportunities to exploit market power to gouge consumers. We believe that your agencies, which have responsibility under federal law to enforce the laws against monopolies and unfair competition, should immediately commence an investigation into current oil industry market structure, market concentration, and business practices, to determine whether any unfair or anti-competitive activity is taking place, or whether the recent trends towards increased market concentration should be reversed by government antitrust action.

We urge you to take action now to help bring relief to consumers who are paying the price at the gasoline pump.

Sincerely,

Mark Bayer
Press Secretary and Senior Policy Associate
Office of Representative Edward J. Markey (D-MA)
2108 Rayburn House Office Building
Washington, DC 20515
202-225-2836